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CoinFund

Token Integration Research And Proposed Economics

Prepared for: Kik Interactive, Inc.

March 21st, 2017

CoinFund

Confidential Treatment Requested by Coinfund LLC

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The Token Sale Market

A Brief History of Blockchain and Financing

Prior to 2015, Bitcoin was one of the few publicly investable blockchain assets. However, venture investors drawn to Bitcoin and blockchain technology during that time financed prospective blockchain related projects with private corporate level investment. The thesis was that the payments market opportunity was large enough for venture capital to justify investment in the private equity of companies that simply "interacted with Bitcoin". According to BCG estimates, by 2025, the revenue from payments services will be a $2 trillion opportunity.

Since then, Bitcoin has realized tremendous returns driven by marketing and adoption and the promise of use cases such as a decentralized store of value and low fee global transaction capabilities. Nevertheless, volumes have not grown exponentially and Bitcoin is proving to be a better "digital gold" than a transactional currency. Decentralized governance are the chief reason for scaling issues which are driving higher network fees. As a result, while Bitcoin has increased in value and boasts a current market capitalization of $20 billion, the private equity opportunity in companies that interact with Bitcoin, possibly with the exception of Coinbase, have not panned out to be profitable investments. One defensible business model has been that of centralized cryptoexchanges; but frequent hacks add significant headline risk and many have damaged reputations and lost tens of millions in customer funds. Additionally, decentralized asset management platforms (DAMPs) and decentralized exchanges (dexes) are nipping at the heels of the current set of incumbents.

In 2016, the market saw an inflection point between the level of investment in Bitcoin-related projects such as exchanges and efficient money transmission to blockchain-focused software development companies with a wider scope. Despite investment capital shifting to blockchain development, it is was still directed toward companies focusing on permissioned (or proprietary) blockchains. The key difference is that permissioned blockchains are operated by "known" or "pre-approved" transaction validators, while public permissionless blockchains are operated by "anonymous" validators.

In early 2017, the market is showing signs (measured by investment interest and new project announcements) that part of CoinFund's core thesis on blockchain's potential is starting to ring true. One of the modus operandi of developer opportunities within the blockchain space is to create open source projects that organize and deliver valuable protocols and base layer services. Additionally, decentralized applications built on top of these protocols are starting to reimagine and realign the economic incentives of traditional business models. As a result,

venture capital and others are taking notice and concluding that value can be captured by tokens at the protocol or application level, instead of traditional private equity business models.[1]

Applications that are build on top of blockchains can prompt changes in user behavior and engagement and allow them to complete trustless transactions. The coupling of incentives and transactions and direct economic activities between users facilitate community economies. Still, centralized applications such as Kik Messenger can be important to organizing the communities and stand to benefit from the increase in engagement from alternative monetization models enabled by digital assets. The next wave of blockchain-based technological innovation will be aimed at empowering people and communities. It will arm them with an arsenal of services and opportunities without the need to leave a hefty tip for the middleman.

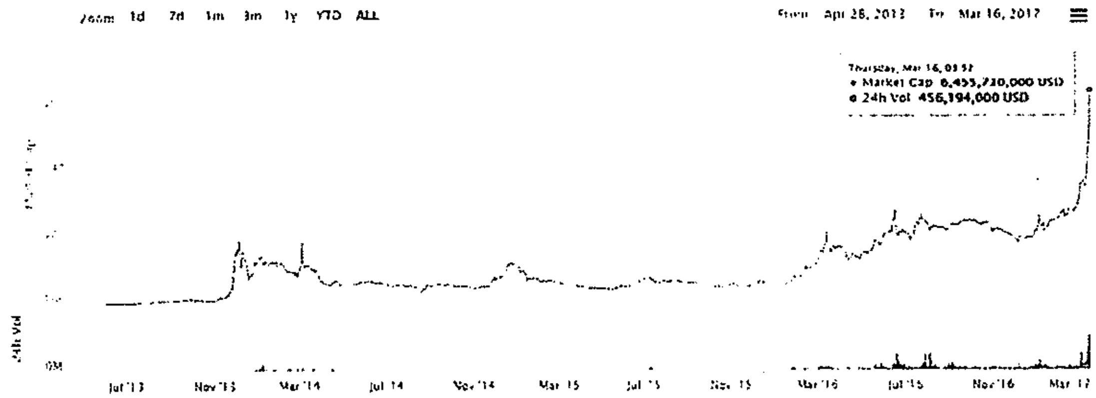
Impact of the Bitcoin ETF

On Friday March 10th, all eyes were on the SEC as they delivered a rejection verdict for the formal approval of the Winkelvoss Bitcoin ETF (COIN).[2] While financial interests were lined up for and against the possible ruling, observers on both sides analyzed the upcoming decision as unpredictable and a "coin flip." The fallout of the decision tells an interesting story. Bitcoin suffered a quick setback, dropping as much as $400 immediately following the event, but quickly rebounded to pre-decision levels. We know that a number of larger institutional players were seeking to become more involved in Bitcoin as a financial product and many, blocked in the last mile of their compliance processes, are waiting for a regulated product. Presently, Wall Street is set up to custodian paper legals interests (stocks, bonds, futures, derivatives, etc.) but no one is able or willing to to take custody of the actual bitcoins.

While the marriage between Bitcoin and Wall Street failed to materialize, there is a platinum lining. In the days following the announcement, there has been a flood of new fiat capital into the greater blockchain ecosystem. Though Bitcoin did not take off as many had hoped, it also did not experience a sharp crash; instead, new money started flowing into the smart contract platforms, decentralized applications, and in particular the Ethereum ecosystem. The non-Bitcoin market of blockchain assets more than doubled in size from $3 billion to $6.5 billion in value since Friday, March 11th (and is up from $1.2 billion at year end 2015).

[1] https://blog.coinfund.io/blockchain-investments-and-the-new-problem-asset-for-conventional-vcs-b65bfc7ca75
[2] https://www.nytimes.com/2017/03/10/business/dealbook/winkelvoss-brothers-bid-to-create-a-bitcoin-etf-is-rejected.html

Combined Altcoin Market Capitalization



The total market capitalization, a good proxy for crypto buying power, has increased to an all time high of $27 billion.

Total Market Capitalization

And as a result, Bitcoin dominance (measured as Bitcoin market cap to total market cap) decreased by 11% to near all time lows of approximately 76% from 87%.

Bitcoin Percentage of Total Market Capitalization

The key takeaways are that (1) the buying power has sharply increased, (2) the increasing value of non-Bitcoin assets signals investors are gaining interest in the potential of the blockchain space outside of just a store of value or denominating transactions and (3) the ETF rejection may set back institutional adoption but it will not slow down development and consumer adoption at the application level. In fact, the fork in the road from near-term institutional adoption may ultimately contribute to the attractiveness of a decentralized and uncorrelated asset class.

Notable Token Sales

Below is a list of relevant token sales that have been completed over the past several years. The list excludes a number of long-tail projects which we do not judge to be good comparables. In 2017, the volume is expected to double or triple on a dollar basis, according to some estimates.[3] Each sale has its nuances that can be discussed (and some are one round of a two part fundraising strategy), but the trend is that the cryptoinvestor community is forming an understand and set of best practices for these structures. As the market slowly matures, the research community, transparency, data, and analysis activity around upcoming sales is improving. For instance, Smith + Crown, has emerged to provide in-depth analysis and commentary on upcoming token sales.

The following outlines some observations about the token sale space:

1. The investment space is extremely hot. All of the tokens mentioned here have generated returns at the time of writing, as measured on a USD basis. The average return multiple is 15x. Ethereum is the outlier and recently has lead the market higher, recently

[3] https://www.slideshare.net/wmougayar/edcon-state-of-ethereum-ecosystem-mougayar

generating a 130x return for token sale participants.

2. The returns provide a flywheel for the token sale opportunity. Indeed, there are several examples where investors experienced losses at the hands of stumbling project; but, on average, these statistics have created a significant amount of confidence that "token" investments are both futuristic and profitable among a niche group of "in the know" investors.

3. The average raise is $14.4MM. This figure includes TheDAO, which was dissolved shortly after the sale was completed;[4] however, we have included it to demonstrate the ability of token sales to raise significant amounts of capital, an important consideration.

4. The quantum of the proceeds raised may not be impressive by traditional capital markets standards, but note that many of these are startups that have recently begun capping their raises to both drive demand as well as set a budget and not overfund. Sales like Firstblood,[5] SingularDTV,[6] Golem,[7] and Melonport[8] sold out in minutes. Additionally, TheDAO, which raised over 10% of all Ether in existence, is an example of large investment capacity for big visions such as the "World's Venture Capital" fund.

[4] TheDAO smart contract was launched hastily and was exploited through a vulnerability in its code, leading to a community decision to sunset the project and return investor funding.
[5] http://firstblood.io
[6] https://singulardtv.com/
[7] http://golemproject.net
[8] http://melonport.com

Project	Vintage	Crowdfunding ($ millions)	ICO Valuation ($ millions)	Current Valuation[1] ($ millions)	Return on ICO Investment[2] 3/10/2017	
Ripple (XRP)*	2013	NA	NA	$820.6	54%	(3)
Storj (SJCX)*	2014	$0.46	$6.59	$92.9	1,309%	
Ethereum (ETH)	2014	$18.92	$22.68	$3,548.0	13,080%	
Synereo - 2nd ICO (AMP)*	2015	$4.70	$120.58	$46.4	(71%)	
Factom (FCT)*	2015	$0.54	$1.14	$34.9	3,268%	
Augur (REP)	2015	$5.32	$6.40	$94.9	1,303%	
Lisk (LSK)	2016	$6.20	$7.30	$16.1	120%	
DigixDAO (DGD)	2016	$5.50	$10.53	$27.6	390%	
The DAO	2016	$150.00	$150.00	NA	NA	
Steem (STEEM)	2016	NA	NA	$18.8	11%	(3)
Waves (WAVES)	2016	$16.03	$18.86	$29.6	57%	
Plutus (PLU)	2016	$1.01	$16.91	$20.6	22%	
Stratis (STRAT)	2016	$0.53	$0.61	$9.3	1,409%	
LBRY (LBRY)	2016	NA	NA	$11.5	[illegible]	(3)
FirstBlood (1ST)	2016	$6.00	$7.15	$10.8	53%	
ICONOMI (ICN)	2016	$10.68	$12.57	$29.5	135%	
SingularDTV (SNGLS)	2016	$7.66	$15.31	$18.1	18%	
Golem GNT)	2016	$8.63	$10.53	$27.6	162%	
Dfinity ICO 1 (DFN)[2]	2017	$3.92	NA	NA	NA	
Melonport ICO 1 (MLN)	2017	$2.93	$7.32	$25.9	257%	
Qtum (Ongoing)[1]	2017	$16.50	NA	NA	NA	
Average		*$14.75*	*$25.90*	*$271.28*	*1,198%*	
Total		*$265.5*		*$4,883.1*		

(1) Current valuation based on total available supply (not outstanding supply)
(2) Measured as price today vs. ICO price at max discount (if applicable)
(3) Ripple, Steem and LBRY returns measured from initial liquidity date as initial distribution was not completed as a crowdsale
** Denotes project that also raised private funding*

Excluding TheDAO

If you exclude TheDAO, the average token sale in our sample has raised $6.5MM, consistent with the average Series A financings according to CBInsights, but ~5x more than typical seed rounds. The average post-money valuation was $17.6MM, or ~2.5x the median 2015 software seed round post-money valuation of $7.0MM, according to Pitchbook.

	Crowdfunding ($ millions)	ICO Valuation ($ millions)	Current Valuation ($ millions)
Average	*$6.48*	*$17.63*	*$271.28*
Total	*$110.1*		*$4,883.1*

Performance Over Time

In the following chart we examine the performance of the cryptoassets over time in ascending order based on time to liquidity. Time to liquidity is measured in days from initial crowdsale investment to when the token is added to exchanges. Due to limited exchange options in the early days for non-Bitcoin tokens and a yet to be released Ethereum "main net", the time to liquidity has been reduced considerably for the recent vintages.

Our sample reflects noteable projects that completed a crowdsale and excludes a number of long-tail marketing currencies which are typically associated with 'pump and dumps'. In general, a 'pump and dump' target tokens that did not raise funding and instead are just created and pre-allocated to a group of initial holders. The initial holders then try to market their token regardless of actual value proposition of the token. If they achieve buy-in and gain momentum, they may seek to liquidate their holdings in a price runup. 'Pump and dumping' is a form of adverse market manipulation sometimes seen in these unregulated markets.

This is very much in contrast to other high quality projects utilizing blockchain technology. In fact, our sample below shows that all projects that completed a successful token sale are trading positively in the long term. The universal upward trajectory of tokens is partially the result of new money and investors entering the space and allocating risk capital to higher quality projects and teams.

The two exceptions, Synereo and LBRY, preallocated very large portions of the total supply with no distribution plan (91% and 96%, respectively) and created artificially high starting market capitalizations. s a result, investors experienced losses and many have lost interest in the projects. Synereo faced a discrete issue due a management schism[9] that damaged community sentiment toward the project and it may not be entirely attributable to a large preallocation. It is also important to note that there were no token sales for Ripple (a partnership based payments efficiency technology), Steem (an incentivized media platform that mints rewards through inflation) and LBRY (a media rights management platform with mining only distribution). Instead,

[9] https://blog.coinfund.io/comment-after-the-synereo-schism-a-call-for-investor-refunds-1b4d484d5516#.inccpfhdb

these assets were mined solely.[10] The returns for these 3 samples are instead benchmarked against the initial liquidity price.

		Time to Liquidity	Absolute $USD Return % (ICO to...)		
Project	Vintage	(Days)	Initial Liquidity	1 month Post Liquidity (1)	3/16/2017
Synereo - 2nd ICO (AMP)	2015	0	0%	[illegible]	(74%)
SingularDTV	2016	1	26%	[illegible]	18%
Golem (GNT)	2016	18	26%	1%	152%
Melonport (MLN)	2017	28	177%	NA	257%
ICONOMI (ICN)	2016	30	58%	[illegible]	135%
Storj (SJCX)	2014	33	(14%)	22%	1,309%
DigixDAO (DGD)	2016	34(2)	101%	217%	390%
Stratis (STRAT)	2016	52	121%	503%	1,400%
Waves (WAVES)	2016	69(2)	59%	14%	57%
Plutus (PLU)	2016	88	267%	116%	22%
Lisk (LSK)	2016	92(2)	257%	305%	120%
FirstBlood (1ST)	2016	107	(21%)	7%	53%
Factom (FCT)	2015	189	77%	(15%)	3,266%
Ethereum (ETH)	2014	389	842%	332%	13,080%
Augur (REP)	2015	414(2)	2,521%	655%	1,383%
Ripple (XRP)	2013	NA(1)	NA	6%	29%
Steem (STEEM)	2016	NA(1)	NA	91%	11%
LBRY (LBRY)	2016	NA(1)	NA	(62%)	(65%)
Average		101	300%	132%	1,190%

(1) Excludes IOU trading pre-distribution

(2) Time-to-liquidity from ICO not applicable (no ICO)

(3) Melonport has been tradeable for less than a month

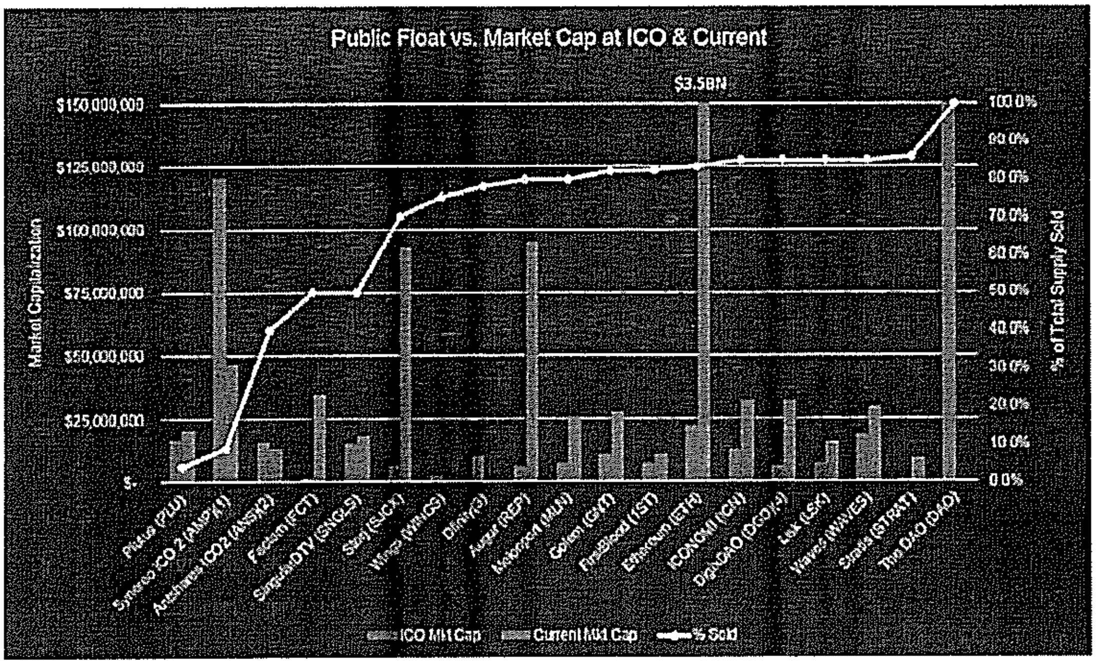
Note Return assumes participation during the earliest bonus phase (if applicable)

Float Statistics

The "float", or "publicly available supply", is the percent of the total supply of a token offered at sale.

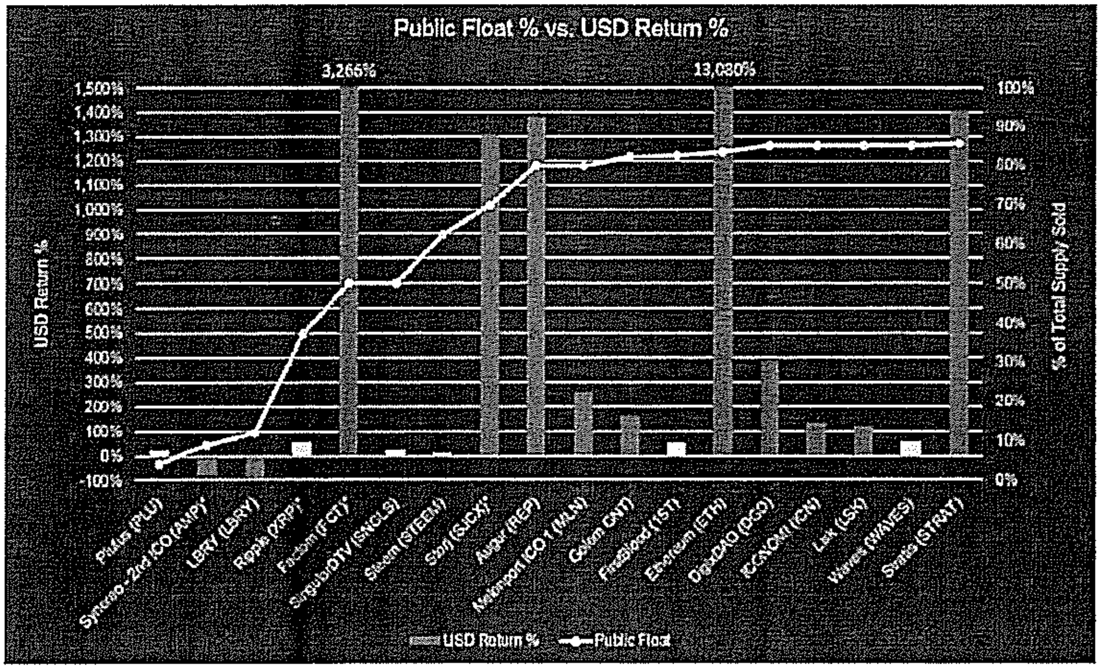
The following chart organizes project by least to most publicly available supply. Float is defined as 100% of the total supply, less the portion reserved for founding team, early investors, and bounties. The blue bars represent market capitalization at token sale time and the gray bars represent market capitalization today.

[10] e.g. https://bytemaster.github.io/article/2016/03/27/How-to-Launch-a-Crypto-Currency-Legally-while-Raising-Funds/



(1) Synereo projected suffered a setback when the two developers parted ways
(1) Antshares ICO2 used for Market Cap (but total float sold between ICO1 and ICO2 is 40% in total)
(2) Dfinity presale valuation includes expecations of a 50% raise (or $10MM) in the upcoming main round
(3) DigixDAO can hold vote to increase supply and raise new funds after 2 years (prorata opportunity for current investors)
Note: Ethereum is worth $1.1BN and Storj is worth $109MM today but the scale is truncated to show other projects

Another way to organize the data is to review float compared to market performance of the token. The data shows that in nearly all cases that floating less than 60% of total supply can lead to poor token performance. In fact, 6 of the 7 projects that floated less than 60% have returned less than 2.0x and 2 of the 7 have lost nearly all their value. Factom is an outlier due to its very early March 2015 crowdsale of only $0.5 million. Additionally, the project has received $6.5 million in institutional capital from Medici Ventures and Tim Draper.



Kik Countries vs. Cryptoinvestor Geographics

Kik's user base has a strong correlation to key cryptomarkets. Kik's top 9 markets overlap with 50% and 56% of the Ethereum and Bitcoin nodes, respectively. A node is an active protocol server (at the time of data snapshot). Note that many non-technical users do not run full nodes. While this was a barrier to entry in 2016, there are now user friendly light wallets[11] and Web 3.0 browsers coming online[12] which allow less savvy users to participate easily in the network.

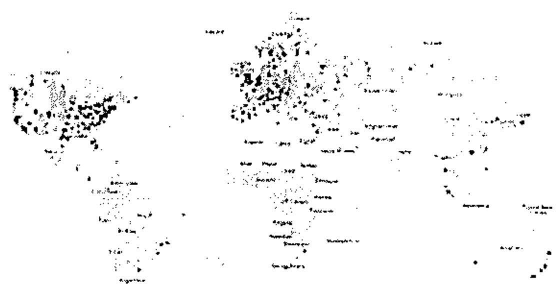
[11] Light wallets do not require the user to download the entire blockchain locally and therefore present a smaller entry barrier for users.
[12] See http://metamask.io or http://status.im.

		Ethereum[1]			Bitcoin[2]		
Kik Geographics	% Users	Country	Nodes**	% Network	Country	Nodes**	% Network
United States	64%	United States	2885	28.60%	United States	1841	28.60%
United Kingdom	5%	Germany	849	8.42%	Germany	1136	17.65%
Saudi Arabia	4%	United Kingdom	553	5.48%	France	406	6.31%
Canada	3%	Canada	481	4.77%	Netherlands	359	5.58%
Sweden	2%	Russia	474	4.70%	Canada	285	4.43%
Germany	2%	China	466	4.62%	United Kingdom	275	4.27%
Australia	2%	Netherlands	438	4.34%	China	237	3.68%
India	2%	France	331	3.28%	Russia	169	2.03%
Italy	1%	Australia	225	2.23%	Switzerland	105	1.03%
		Switzerland	194	1.92%	Sweden	92	1.43%
Top 10 Subtotal	85%		6,896	68.36%		4905	76.21%
Others	15%		3,193	31.64%		1530	23.79%
KIK Geographic Overlap				49.50%			56.38%

**Online full nodes only
https://www.ethernodes.org/network/1
https://bitnodes.21.co/

Ethereum Node Heatmap

Bitcoin Node Heatmap



Sample Token Sale Distributions

Based on our latest data (in chronological order), approximately 2,190 participants contribute $6,399 per token sale, according to moving averages.

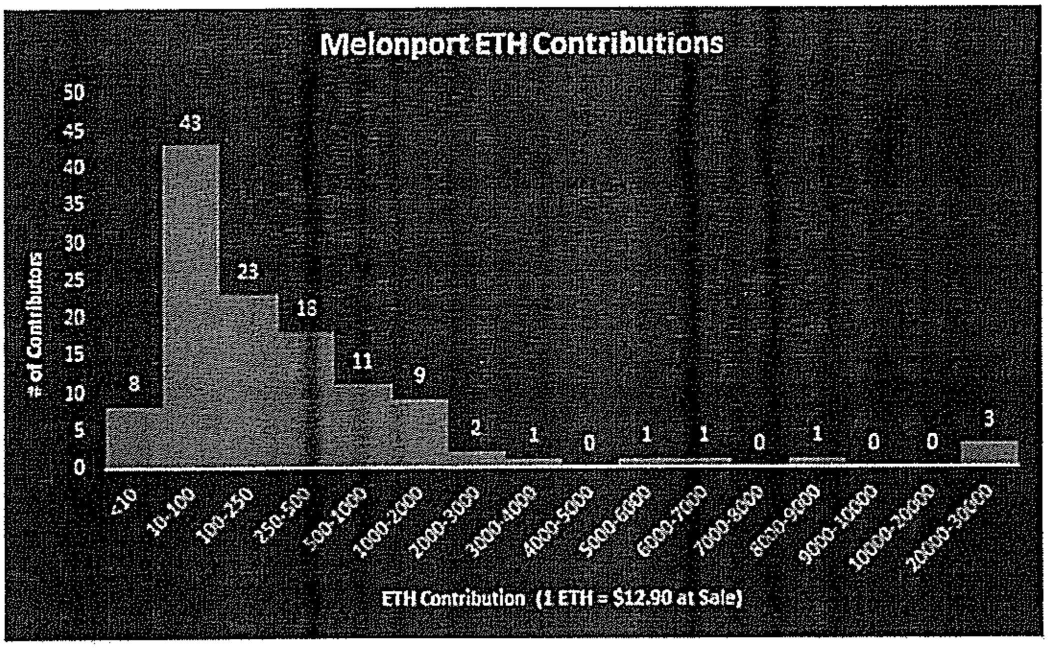
Name (Chronological Order)	Date	Participants	$ Invested	Moving Average Participants	Moving Average $ Invested
Storj (SJCX)	2014	1,000	$462	1,000	$461.8
Ethereum (ETH)	2014	9,007	$2,100	5,004	$1,281.1
Factom (FCT)	2015	323	$1,672	3,443	$1,411.3
Augur (REP)	2015	2,649	$2,008	3,245	$1,560.4
Lisk (LSK)	2016	3,908	$1,587	3,377	$1,565.8
DigixDAO (DGD)	2016	675	$8,148	2,927	$2,662.8
Plutus (PLU)	2016	1,033	$973	2,656	$2,421.5
Stratis (STRAT)	2016	509	$1,034	2,388	$2,248.0
Antshares (ANS)	2016	1,498	$2,332	2,289	$2,257.4
The DAO	2016	11,000	$13,636	3,160	$3,395.3
FirstBlood (1ST)	2016	600	$10,004	2,927	$3,996.1
ICONOMI (ICN)	2016	3,508	$3,045	2,976	$3,916.8
SingularDTV(SNGLS)	2016	581	$13,177	2,792	$4,629.2
Golem (GNT)	2016	653	$13,217	2,639	$5,242.6
DFINITY ICO 1 (DFN)	2017	138	$17,154	2,472	$6,036.7
Santiment (SAN)	2017	36	$3,763	2,320	$5,894.6
Melonport ICO 1 (MLN)	2017	120	$14,473	2,190	$6,399.2

Note: Two token sales, Melonport and DFINITY were seed stage projects that choose to execute the fundraising process in two steps and expect to follow on with main rounds in the near future. The reason for including these is to provide a sense of graphical distribution of participants, but should be used in conjunction with the averages from above.

Melonport (Sale Date: 2/15/2017)

A decentralized asset management platform (DAMP) for building digital asset portfolios.

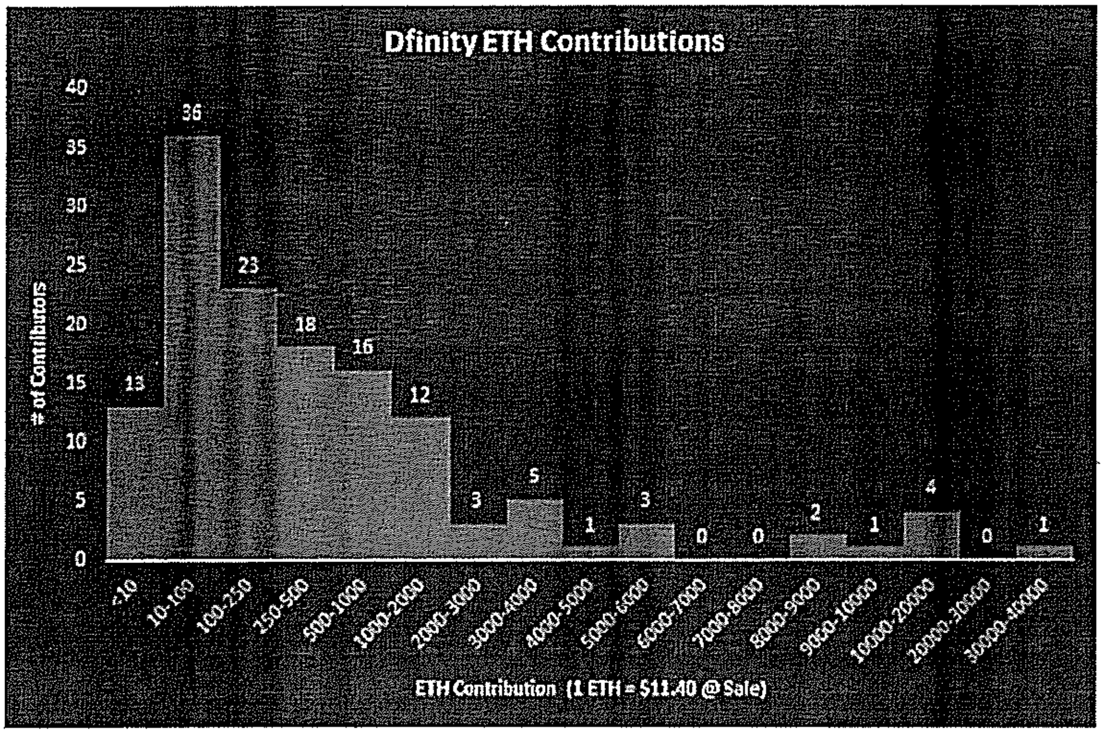
Presale Round	Capped at $2.9MM for 40% of supply. Additional 40% to be sold in a Main Round at a later date.
ETH Price	$11.40 at time of token sale
Sale Time	Lasted less than 10 minutes



DFINITY (Sale Date: 2/2/2017)

A smart contract platform, similar in functionality to Ethereum, but with more high-level features and platform governance mechanisms.

Presale Round	Intentionally under the radar $3.9MM presale. Upcoming Main round capped at $20MM
ETH Price	$12.90 at time of token sale
Sale Time	25 hours (1 hour to reach soft cap which triggered a 24 hour countdown timer)



Reading List

1. Toward more equitable token sale structures (Jake Brukhman)
2. Value of the token model (Fred Ersham)
3. Online publishing should look at Steem, not Spotify, for inspiration (Fred Wilson)
4. Blockchain investments and the new problem asset for conventional VCs (Jake Brukhman)
5. Trick or treat? Investment in blockchain cryptoassets (Alex Felix)
6. Matchpool: Community-owned social matchmaking, aimed at online dating and beyond (Alex Felix)

7. How the blockchain could change corporate structure (Fred Ersham)

Market Information

1. Token sale news & information
2. List of Cryptocurrencies and Statistics

Summary of Materials

1. Excel Backup
2. Powerpoint Images

CoinFund Cryptoinvestor Survey

Methodology

Working together with the Kik team, CoinFund conducted a public and open source survey in the blockchain research and investment community, targeting the set of people who are knowledgeable and experienced in the issues surrounding blockchain-based decentralized crowdfunding and known as "cryptoinvestors".

The survey questions covered three key target areas, including (i) the demographics, background, and investor sophistication of the respondents; (ii) past and prospective token sale participation size; and (iii) outlook on blockchain penetration into larger and more traditional technology markets.

The survey was posted on the CoinFund Slack[13] and the Slacks of several larger blockchain projects, sent to the CoinFund mailing list[14], posted on social media (such as Twitter,[15] etc.), and included in the Week In Ethereum newsletter on March 12th, 2017.[16] The survey received 223 responses and polling was closed on March 19th, 2017.

Caveats

In interpreting survey results, please take into consideration the following limitations of this survey format:

1. **Sample Size.** The sample size we were able to attain in this community survey is small. For example, this number of respondents would represent approximately 0.7% of registered users of the Ethereum Subreddit.[17]

2. **Limited Information.** The survey maintained the anonymity of Kik Interactive as the driver of market research. Had respondents known more about the brand involved, results may have varied.

3. **Demographic Bias.** The blockchain technology space skews sharply male and sharply toward technical respondents. To a limited degree, CoinFund attempted to counteract

[13] http://slack.coinfund.io
[14] https://coinfund.us11.list-manage.com/subscribe?u=95d55b3d30286a32fc755fd47&id=abf50c8fb2
[15] https://twitter.com/coinfund_io/status/840304524577374209
[16] http://www.weekinethereum.com/post/158347218038/march-12-2017
[17] http://www.reddit.com/r/ethereum

gender bias by inviting specific female respondents to participate.

4. **Sophistication Bias.** CoinFund community members tend to skew as more sophisticated than average in the blockchain space.

5. **Exuberance.** Unsurprisingly, cryptoinvestors are biased toward more positive blockchain technology adoption outlooks; their view is often in stark contrast to mainstream media or traditional analyses.

Survey Results and Interpretation

Caveats

The following sections present an objective analysis of the quantitative survey results together with qualitative interpretations of the results, based on CoinFund's knowledge and experience working within this space over the last several years. Please make sure to see the raw quantitative results of the survey to draw final conclusions.

Demographics

The survey results showed that 91.5% of respondents were male, and 78.5% of respondents were between the ages of 19 and 40. Less than 1.3% of respondents were 18 or younger, reflecting that participation in this area requires some investment and technology experience.

Countries

The following chart shows the breakdown of the reported countries of residence of the respondents. Note that "Long-tail countries", those with 3 respondents or fewer, represent over 20% of reported countries. You can see a breakdown of long-tail countries here.

We present the following interpretation of these results. Blockchain is a global phenomenon, taking root in English-speaking countries and Europe, but ultimately involving participants from all over the world. China, Singapore, and Asia in general are an up-and-coming force in blockchain research, development, and adoption.

Counties	Count	Percent
USA	98	43.95%
Long-tail Countries	49	21.97%
Germany	17	7.62%

UK	15	6.73%
Canada	13	5.83%
Singapore	7	3.14%
The Netherlands	6	2.69%
France	5	2.24%
Switzerland	5	2.24%
Russia	4	1.79%
Sweden	4	1.79%

Investor Background

With 52.9% of respondents calling out "Technology, Engineering, and Sciences" as their background, respondents skew heavily toward the technical crowd. The next largest segment is 17.9% of "Other backgrounds", speaking once again to the diversity of participants. Somewhat surprisingly, only 15.2% of respondents are in financial or investment fields, which is less than previous market research. Students represent only 5.4% of respondents.

Investor Sophistication

Respondents are experienced with cryptocurrency, with 94.6% reporting previous cryptocurrency ownership. A large subset of them, 72.6%, have been token sale participants, though not all. Token sales are still a new phenomenon even among observers of the blockchain space, and roughly 1 out of 3 people are still getting over technological, sophistication, and risk barriers.

More traditional investing sophistication among this group is fairly high, with 70.4% having previously invested in traditional public securities, 49.3% having done Kickstarter-type crowdfunding, and 26% reporting previous participation in private equity sales, which typically require accreditation.[18]

[18] In the US, an accredited investor designation, a barrier of substantial net worth or yearly income, is required for participation in most private equity offerings. See: https://www.wikiwand.com/en/Accredited_investor

Cryptoinvesting is extremely interesting and occupying to respondents: 35.4% reported that blockchain-based assets comprise 75-100% of their general investments. The weighted average across respondents shows that cryptoinvestments represent 50.1% of their portfolios.

Token Sale Participation

Based on our previous market research, the average USD-denominated individual token sale buy-in is $6,399 (see Sample Token Sale Distributions). Respondents gave the following self-report about their participation in previous token sales.

	As reported for general token sale buy-ins					
Investor Class	Investor Buy-in Level	Count	Distribution	Revenue	Average	Error vs. Actual
A	$0	51	22.87%	$0		
B	$500	65	29.15%	$32,500		
C	$3,000	64	28.70%	$192,000		
D	$7,500	18	8.07%	$135,000		
E	$30,000	20	8.97%	$600,000		
F	$50,000	5	2.24%	$250,000		
		223	100.00%	$1,209,500	$5,424	15.24%

The average self-reported token sale participation buy-in was $5,424 and differed from actual buy-in data by as much as 15.24%. The distribution was skewed toward investor classes A, B, and C (lower buy-in investors), and 22.87% of respondents say they have abstained from sales altogether.

In Kik's context of offering a token sale for the cryptoasset of a consumer technology product backed by a company with an existing user base, respondents gave the following participation report.

	As reported for token sale buy-ins in Kik's context					
Investor Class	Investor Buy-in Level	Count	Distribution	Change	Revenue	Average
A	$0	17	7.62%	-66.67%	$0	
B	$500	90	40.36%	38.46%	$45,000	
C	$3,000	62	27.80%	-3.13%	$186,000	

D	$7,500	35	15.70%	94.44%	$262,500	
E	$30,000	13	5.83%	-35.00%	$390,000	
F	$50,000	6	2.69%	20.00%	$300,000	
		223	100.00%	-	$1,183,500	$5,307

The average buy-in for this hypothetical opportunity was $5,307. However, the distribution of investors skewed more heavily toward investor classes B, D, and F:

1. 66.7% of previously abstaining participants were converted into paying participants.
2. Participation in classes B, D, and F increased by 38.46%, 94.44%, and 20%, respectively.
3. Investor class C saw a -3.13% impact in participation.
4. The proposition lost 35% (7 investors) from investor class E, and these investors reallocated into lower buy-in classes.

We offer the following possible interpretation: (i) long-tail participants have found the investment compelling and converted to paying participants, while (ii) more sophisticated, high buy-in investors became more conservative given the new proposition and lowered their buy-in. The net impact on average participation was a decrease of only 2.15%.

Outlook on Tokens

Respondents gave an outlook on different applications of cryptotokens (see the survey responses) which could be interpreted as their view on the probability of success in each of these applications. The following summarizes the probabilities respondents assign to these applications.

	Global Currencies	Local Currencies	Blockchain Fundraising	Tech Fundraising	Digital Equity of Companies	Attention Rewards	Creation Rewards
Respondent's probability of adoption	82.29%	67.71%	88.34%	81.39%	80.72%	70.18%	73.54%

The best scoring area was fundraising, which has been successfully demonstrated in the market over 3 years, with the highest probability of 88.34% given to the viability of blockchain-based

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fundraising. Local currency applications scored lowest, at 67.71%. Only a few local currencies exist today, and by definition, they are not widely known.

The model of using cryptotokens as creation and attention rewards received 70%+ probabilities, lower than others, possibly because successful business models in this area have not yet been demonstrated.

Note that cryptoinvestors are particularly biased in believing that cryptotoken adoption is likely to take place, with every category receiving greater than 50-50 odds of adoption, in their view.

Respondents were also asked to rate the likelihood of success of token models in particular verticals. The following results represent the probabilities of that success, as seen by cryptoinvestors.

	Mobile Gaming	Social Media	Messaging	Advertising	Insurance	Health Care	Art and Design	Real Estate
Respondent's probability of a token's successful application in a vertical	76.68%	69.06%	59.42%	58.74%	58.18%	52.91%	49.22%	47.31%

The top three verticals voted by cryptoinvestors were Mobile Gaming, Social Media, and Messaging.

Outlook on Tokens in Kik's Context

Cryptoinvestors favor opportunities with large user bases. Respondents assigned the two highest probabilities of participation to Kik's context: the proposition with the highest likelihood, 68.95%, to gain their participation was an established product with a large set of existing users. The second highest-scoring proposition, with 53.03% likelihood, was a traditional tech product integrating cryptocurrency.

	An established product with hundreds of millions of users, integrating a platform token	A traditional tech product with revenue integrating digital currency	A cutting edge tech product or platform with no users but a great marketing plan	A blockchain team with a great whitepaper, but no demonstrated product-market fit	A cryptocurrency mining operation tactically mining the most profitable networks	A speculative, unproven blockchain or smart contract platform

	for their digital community					
Respondent's probability of participation	68.95%	53.03%	43.61%	42.16%	32.06%	29.71%

29.6% of respondents said they would invest in a proposition like Kik's on user base size alone, while 22% said they would be willing to experiment with this kind of investment proposition. Only 6.3% thought that this proposition would be too risky for the mainstream.

In Kik's context, 46.2% of respondents expressed concern about the risk of a centralized company stopping support for their token, creating failure risk. 42.6% thought a centralized company would not be able to support fully decentralized products and/or implement them correctly. Comparatively, only 26.5% were worried about market volatility.

User vs. Investor Interest

In this survey, we interviewed cryptoinvestors and expected that most respondents would be interested in the investment side of the token proposition. Given a hypothetical investment opportunity in a "cryptotoken-supported Reddit", we received the following breakdown:

1. 19.3% would forego participation
2. 48.4% lean toward being investors only (with 21.5% being speculators)
3. 32.3% lean toward being users of the platform

Summary of Materials

1. CoinFund Cryptoinvestor Survey
2. Survey Results Spreadsheet

CoinFund Cryptoinvestor Panel

Methodology

In March, CoinFund interviewed 10 experienced cryptoinvestors, blockchain founders, and analysts from our community regarding "a prospective client" looking at integrating cryptotokens into their consumer technology application. The precise panel brief may be found here.

Please see Appendix A for detailed panel responses.

Panel Participants

The following participants gave feedback in the present panel.

1. **Ron Bernstein**, Founder, InTrade and AugmentPartners Limited
2. **Matt Liston**, ConsenSys/Gnosis.pm
3. **Chris Burniske**, Blockchain Analyst, ARK Invest
4. **Jesse Walden**, Founder, Mediachain
5. **Ned Scott**, CEO, Steemit, Inc.
6. **Kenny Rowe**, COO, MakerDAO/Dai Foundation
7. **@jesse_livermore**, Cryptoinvestor, CoinFund Community Slack
8. **Demian Brener**, Smart Contract Solutions, Inc.
9. **Evan Van Ness**, Editor, Week In Ethereum
10. **Dr. Stephan Karpischek**, Founder, Etherisc, Inc.

Panel Highlights and Summary

1. Panel respondents are cautiously optimistic about the prospect of the raise and the token effort. This is generally seen as a positive trend, a good story, a useful experiment, and an investment with a potential upside. Respondents are mixed about the token sale potential and on personal participation, with most understandably expressing desire to see more details before arriving at a final figure and outlook.

2. Respondents cite several concerns that were also reflected in the general survey:

    a. Whether the company is in it for the long haul and is willing to make a commitment.

b. Whether the company will get decentralization "right": that is, appropriately surrender control of the token to the community, use blockchain appropriately and for the right reason, and govern the economic model correctly.

3. Other common concerns are:

   a. Whether the company has sufficient technology expertise on staff and whether the technical effort will be carried out soundly.

   b. Whether the company and the executive team put their "skin in the game" and publicly commit to the effort.

   c. Technological scalability: can the system accommodate the expected high transaction volume?

4. The size of the preallocation is seen as a positive if the holdback is indicative of the long-term commitment.

5. Respondents ask to know why the token is needed in the first place. The concern is not so much whether the company can make the case for the token to monetize their user base, but whether the token actually brings value to the user community.

6. Respondents regularly cite legal risks. Compliance and legal analysis seem imperative, and are currently one of the major ongoing issues in the blockchain space, especially around decentralized crowdfunding.

7. Respondents believe that the age of the user community is only important insofar as it implies compliance risks. However, no one has any doubts that younger user base will understand and use the economic ecosystem if it were to be introduced, with younger and Millennial users seen as prime candidates to take up new technologies without prior assumptions.

8. Respondents often cite the need for the token economics to serve a larger need than being merely a point program endemic to a particular application.

9. Several respondents compared the points program with a rewards program (such as airline miles). The comparison evokes favorable sentiment, respondents find tokenization of the rewards programs to be a promising direction to go. One respondent (Chris Burniske) noted that he would be a convert to a blockchain-based rewards

program.

10. Respondents are looking to see usability solutions that remove barriers to entry for mainstream users into the blockchain space.

Summary of Materials

1. CoinFund Cryptoinvestor Panel Brief

Kik Token Economics

Overview

In this section, we describe the high-level economic model for a prospective cryptoken, provisionally known as Kik Tokens (or, symbol "KT"), to be deployed as a decentralized cryptotoken on a smart contract platform (such as Ethereum) and side-integrated with the centralized Kik Messenger application. The token could be branded or unbranded for Kik.

Our proposition is that Kik Tokens should function as a cryptocurrency, and not a cryptoequity (a token which pays dividends), a platform token (a token which unlocks platform-level features), or a cryptocertificate (a digital asset which gives title to digital space). At outset, Kik Tokens do not confer any form of voting rights, though nothing prevents such rights to be granted in the future.[19]

The Kik Messenger, its digital community, its developer marketplace of chatbots and mobile games, and its ecosystem of creative assets (such as memes, smileys, and stickers) create a natural use case for an in-app community currency. Unlike centralized "points" systems (such as Kik Points), ERC20-compatible tokens[20] implemented on Ethereum would naturally integrate into much existing decentralized infrastructure available today. In particular, they would be fully compatible with most centralized and decentralized cryptoexchanges, and would thus provide the novel ability of users to exchange them for real, fiat-denominated value at these venues.

In the following sections, we dive into an outline for the following economic components around Kik Tokens. The diagram below also outlines the relationship between these economic flows.

1. **Demand Drivers.** What creates market demand for the token?

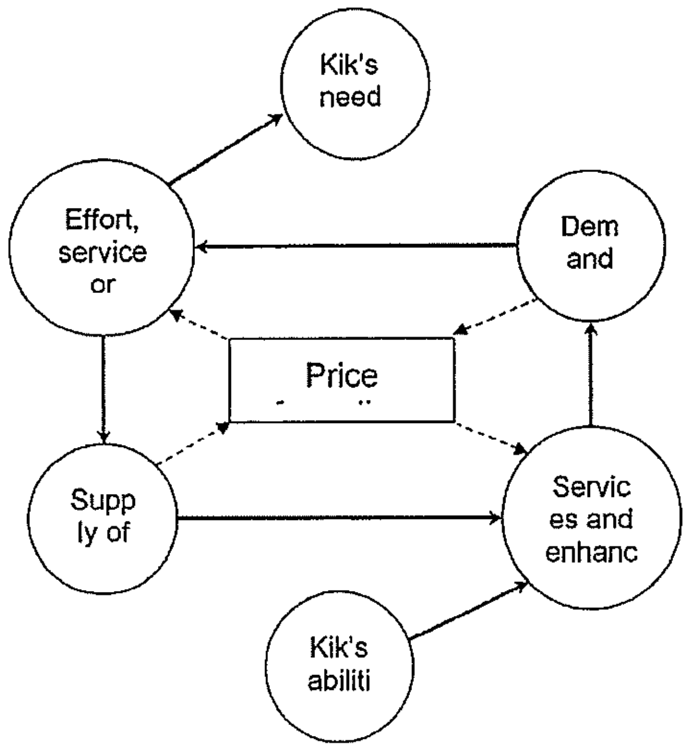
2. **Supply Drivers.** What creates market supply of the token?

3. **Price Formation.** How are prices of services determined?

Within our defined scope for this research, we leave the actual points of integration with Kik Messenger as an open question: our goal is simply to demonstrate that plausible integration points exist, but we note that the integration order and gamut of these features may require or benefit from further analysis.

[19] Cryptographically provable cryptocurrency ownership is often used as a right to participate in polls and other governance. See http://carbonvote.com.
[20] The ERC20 standard is Ethereum's standard token specification interface.

For an established company such as Kik Interactive, the price dynamics of their cryptocurrency are a particularly important issue. Exuberant price behavior or precipitous drops in market price of cryptotokens, while they may be tolerated for smaller and lesser-known projects, increase the parent company's reputational risk. Therefore, we make sure to (i) align incentives correctly for Kik Interactive and its investors; (ii) create an overall upward price dynamics; and (iii) enumerate some volatility mitigation strategies.



Supply drivers, demand drivers, and price formation flows.

Token Structure Goals

The following outline describes the goals in structuring KT as we describe.

- **Fundraising.** To create a revenue event for Kik Interactive based on a well-structured sale of KT which adheres to the established best practices of the decentralized crowdfunding space, and satisfies a basic revenue criteria.

- **Monetization Through Preallocation.** In addition to creating fundraising revenue, to create a monetization model where Kik Interactive will hold a stake in the KT supply and will benefit from an increase in utilization of KT.

- **In-App Monetization.** To create the basis for long-term monetization models within Kik Messenger by designing KT in such a way that it can be used to generate revenue for the company later.

- **Price Stability.** To design in such a way as to:

    - Decrease speculation
    - Decrease volatility and unchecked price moves
    - Create investor confidence

Economic Participants

The following outline describes the participants of the KT cryptoeconomic system.

1. Kik Interactive, Inc.
2. Users
    a. Simple Transactors
    b. Content Creators
3. Partners (Advertisers, Brands, Developers, etc.)
4. Investors
    a. Cryptoinvestors
    b. Private Equity Investors

Token Demand Drivers

The following outline demonstrates some plausible demand drivers for KT, which can be developed into technological points of integration between KT smart contracts and the Kik Messenger application.

1. Users may purchase content from Kik or Partners

   a. Example: A User can earn and spend money in a chatbot-based RPG

2. A User may wish to transfer tokens to another User

   a. Example: A simple tipping or gifting functionality can drive discussion and community

3. A Partner wishes to purchase User's attention

   a. Example: An Advertiser may compensate survey respondents on Kik

4. A Content Creator may pay for a promotional slot

   a. Example: A recording artist offers limited edition stickers on Kik

5. An Investor may purchase KT for a return on a cryptomarket

   a. Example: Kik's equity investors can participate in a liquid asset which appreciates with positive performance of the Kik ecosystem

6. A Developer may buy blocks of KT for promotional use

Token Supply Drivers

The following outline demonstrates some supply drivers for KT.

1. Kik Interactive may create supply through genesis and distribution of KT

   a. Example: Kik distributes KT in an initial token sale

2. Kik Interactive and early investors may create supply through intermittent distributions

   a. Example: Kik can liquidate some of its preallocated tokens, or offer preallocated tokens as a promotion

3. Kik Interactive may sell its own content to users as a participant in its own marketplace

   a. Example: Kik will develop in-app gaming which utilizes KT

4. Users receive tokens from Kik Interactive as rewards.
    a. Example: Community safety and moderation
        i. A User acts as a moderator for a public group
    b. Example: Participation in Kik research
        i. A User fills out an ad hoc survey
        ii. A User participates ad hoc 1:1 chat discussion
        iii. A User participates in Kik panels: beta testers, consumer insights, usability, etc.
    c. Participation in Kik marketing programs
        i. A User enrolls e.g. in Kik VIP (internal influencer program)
5. Content Creators may receive tokens upon successful sale of their product to Users, which they will liquidate on the market
    a. Example: A User creates new and unique memes and sells them in his own store, liquidating token revenue for fiat revenue
6. Users may receive tokens as reward for incentivized participation, which they will liquidate on the market
7. Partners may sell tokens in order to cash in rewards and compensation
    a. Example: After selling virtual goods through a mobile game, a Developer may cash out for profit

Price Formation

Our proposal is that Kik allows prices for services to be discovered naturally by Partners and Users through competition and through observation of public token markets. If the price of an ecosystem good or service drops in token terms this would translate into increased token prices in USD terms. This is based on the assumption that the average USD value of goods and services is constant or near-constant, that is, that the buying power of 1 USD remains relatively fixed against goods and services.

In this model we observe that in general Users will buy and sell approximately the same amount on the market. However, due to the fact that there is a holding period introduced in the process, the increase in use of currency by customers will lead to reduction of available supply and increase in dollar prices of tokens. Additional movement in prices (both appreciation and depreciation) is introduced by the speculative component of cryptomarket activity. Speculation will both affect the holding period for Users and create market price dynamics unrelated to use.

This price formation mechanism was most notably tested out on the example of Siacoin,[21] a service-backed cryptocurrency. The long-term downward pressure on Siacoin price is most likely due to high inflation (not the feature of Kik Tokens we expect to introduce). As all cryptotokens subject to speculative dynamics Siacoin suffers from large spikes of volatility.

Speculation in cryptomarkets is generally a positive phenomenon, as it allows for early price formation, crowdfunding, and liquidity of assets. However, in managing cryptocurrency, limiting the resulting volatility may be useful. The following strategies can be used to mitigate the volatility and risk in KT:

1. Automated market making using smart contract to bracket the token price.[22] This is done by setting adaptive sell and buy walls in markets to curb sharp movements in price.

[21] http://sia.tech
[22] See: https://medium.com/@Vlad_Zamfir/a-safe-token-sale-mechanism-8d73c430ddd1#.3eiuy8p2h

2. Restricting liquidity and introducing vesting for initial investors. Some of these limitations can be tied to price movements (for example, liquidity increases if price increases).

3. Introducing fluid limits to user withdrawals and deposits.

4. Accounting for market dynamics in setting token prices for goods and services sold by Kik Interactive.

Basic Allocation Assumptions

Float

We propose to set the float, or the available supply offered at sale, at 50%. This float level creates an equitable split of the supply between Kik Interactive and the investor and user community. The rest of the preallocation, or 50% of supply, may be allocated to Kik Interactive. Furthermore, some percent of the preallocation may be set aside for customer acquisition, rewards, or promotions, as desired.

We propose that the preallocation is secured in a vesting smart contract, which will ensure protection for the market from sharp liquidations and price movements at the outset. Vesting can be on any reasonable time-based schedule (see below). Alternatively, vesting can be performance-based where performance is measured, for instance, by the number of unique active holders of the token.

Example Allocation and Vesting

Supply Allocation Schedule

The following is an example of a supply allocation schedule:

1. 50% of the supply is allocated to the sale and distributed completely according to one of the models we outline below.

2. 10% of the supply is allocated for customer acquisition and rewards, and is available for Kik Interactive to use at their discretion for this purpose in good faith.

3. 40% of the supply is locked in a vesting contract which is owned by Kik Interactive.

Time-based Vesting Schedule

The following is an example of a time-based vesting schedule:

1. 20% of the preallocation (8% of total supply) is vested to Kik Interactive every year.

2. Vesting proceeds for 5 years, until fully vested.

Performance-based Vesting Schedule

The following is an example of a performance-based vesting schedule:

1. 20% of the preallocation (8% of the total supply) is vested to Kik Interactive at the completion of the sale.

2. A further 20% of the preallocation is vested to Kik Interactive for every 1M new unique holders of KT.[23]

3. Vesting continues until 4M new unique holders of KT are acquired.

Supply

We propose to set the total supply at 1,000,000,000 KT. Based on the statistics provided by Kik Interactive, this allocates 25 KT per monthly active user on average and ensures that, at outset, the price of e.g. a digital creative asset on Kik Messenger will be a few KT.

Raise Prospects

Methodology

We provide the following model for a prospective fundraising for Kik Interactive, which is based on the allocation assumptions above. Our model assumes that (i) sale revenue will come from at least three channels, described subsequently; and (ii) Kik Interactive will cap presale investor participation at $5M (see Model 1 and Model 2).

The primary channel for fundraising is the global market of cryptoinvestors. As we saw, the typical number of participants in a token sale was 2,190. However, certain sales such as TheDAO saw as many as 11,000 participants. If the Ethereum community is measured at

[23] To count unique holders, KYC or a reputable identity solution, such as uPort, would be required.

approximately 30,000 members[24], and plausibly assuming that 15,000 (50%) are active members, then our survey results show that as many as 13,500 users from the Ethereum community alone may comprise the addressable market of the Kik token sale. Furthermore, we expect their average buy-in to be higher than our survey shows, as the number of long-tail sale participants is higher in the wild than the number of long-tail sale participants in CoinFund's survey. (See CoinFund Cryptoinvestor Survey Results.)

As a secondary channel, Kik Points participants are natural targets for Kik Token ownership and therefore may be marketed to for sale participation. Data provided by Kik Interactive shows the average WAUs for Kik Points was approximately 400,000.[25] Adjusting for adult users, and assuming a 25% conversion rate and $40 buy-in on average, we arrive at extra revenue that may be generated for the sale.

Finally, Kik Interactive may opt to offer a portion of its tokens in a private presale prior to the public token sale. We propose that this supply should not be preallocated, but instead should be distributed from the float and capped at $5M (see Model 1 and Model 2).

Raise Estimate

The following table shows 7 outcome cases, drawing on the three revenue channels described above. In the average case, 6,000 cryptoinvestors participate at the average survey buy-in to generate $31,843,049 of sale revenue; 70,000 former Kik Points users generate $2.8M of sale revenue; and $2.5M is sold to presale participants. The total average raise is $37,143,049 and the associated starting valuation of the Kik Token supply is $74,286,099, based on this model.

As a caveat, note that success in one channel may not actually correlate with success in another channel, so these are rough estimates of increasing levels of successful liquidation of the sale assets.

	Cryptoinvestors						
Participants	1,500	3,000	4,500	6,000	7,500	9,000	10,500
Revenue	$7,960,762	$15,921,525	$23,882,287	$31,843,049	$39,803,812	$47,764,574	$55,725,336
	KP Users Converted to KT Users						
Converted Users	10,000	30,000	50,000	70,000	90,000	110,000	130,000

[24] As per the registration count of the Ethereum Subreddit.

[25] https://docs.google.com/spreadsheets/d/1_xf4Elb0xdRFsT5KsalOKJRWcveFcxCaQKVdMpbBKrs/edit#gid=0

Revenue	$400,000	$1,200,000	$2,000,000	$2,800,000	$3,600,000	$4,400,000	$5,200,000
	Presale Participants						
Revenue	$0	$833,333	$1,666,667	$2,500,000	$3,333,333	$4,166,667	$5,000,000
Plausible Raise	$8,360,762	$17,954,858	$27,548,954	$37,143,049	$46,737,145	$56,331,241	$65,925,336
Starting Valuation	$16,721,525	$35,909,716	$55,097,907	$74,286,099	$93,474,290	$112,662,481	$131,850,673

Sale Structure Goals

The following outline reflects our goals and recommendations in designing the correct token sale structure for Kik Tokens.

1. **Let the market valuate the supply.** In a pre-seed startup fundraising scenario, CoinFund typically recommends good roadmap planning and a capped sale that reflects reasonable expenditures. This is done to help manage risk for investors. However, in the case of Kik, the goal of fundraising is not building a startup. Therefore, we propose that Kik Interactive should let the market valuate the KT token supply using an uncapped or soft-capped sale structure (described below). As opposed to presumptuous hard capping, this will allow Kik Interactive to receive the best value from the market for their token supply.

2. **Split fairly with the community.** We recommend that Kik Interactive does not set their float at less than 50% of the total supply, as that would be atypical compared to recent sales in the decentralized crowdfunding market.

3. **Secure the preallocation.** We recommend that Kik Interactive secure their preallocated tokens using a time-based or performance-based vesting schedule. Optionally, Kik Interactive may reserve some portion of preallocation for customer acquisition and rewards and use it for this purpose at its discretion.

4. **Maximize investor distribution; minimize buy-ins.** Kik Interactive should prefer a token sale which maximizes the number of investors and minimizes their average buy-in. This will ensure a wide distribution of aligned token holders for the KT-integrated set of functionalities of Kik Messenger. A wide distribution also increases the probability of converting new users, engaging dormant users, and increasing engagement of existing active users.

5. **Reach a minimum.** We recommend Kik Interactive sets a minimum raise of $10M; if this minimum is not met, sale proceeds are fully refunded and the raise is considered unsuccessful. At the same time, the sale should incentivize early investors to hit the minimum using an early bonus structure. Minimums also provide a signal to the market regarding a team's fundraising expectations, and must be balanced against Kik Interactive's private valuation.

Model 1 ($20M Soft Cap Sale)

Specification

After considering Kik's goals, we propose the following structure to help maximize a balanced monetization strategy with some unique features available with smart contracts. A "soft cap" implies that after the soft cap is reached, a countdown timer begins and investors can make additional buy-ins without bound for a relatively short period of time.

Following the expiration of the additional time to participate the sale opportunity is closed. The model balances the proper incentives such as an early bird discount to reach the minimum and maximizing participation by allowing additional time once a soft cap is reached. Yet, the time limit also creates a sense of urgency for interested investors to act during the final period of the sale.

Advantages

1. The soft cap model incorporates downside protection in the event of an under raise as well as the demand driver to participate quickly once a reasonable threshold is achieved.

2. A discount through the first $10M helps drive demand in order to reach minimum but the discount is not so large that later investors feel put off by missing the initial bonus period.

3. Marketed sense of urgency once soft cap is breached.

Disadvantages

1. The downside of this model is it is hard for investors to formulate analysis around a starting valuation. However, this is partially mitigated by allowing an uncapped period of short duration.

2. The post-cap contribution period is short and easy to miss for investors.

Recommended Parameters

Token Supply	1,000,000,000 KT
Float Offered	50%
Soft Cap	$20M (followed by a 48 hour countdown once reached)
Discount	20% discount for first $10M
Hard Cap	Uncapped or TBD
Sale Time	30 days maximum to reach soft cap, or termination
Minimum	$10M; otherwise, contract refunds sale proceeds
Distribution	Fixed 50% sold; Token Allocation calculated at end of sale based on proceeds raised and distributed per the example below
Vesting	Time or Performance based (Outlined in "Vesting" Section)

Model 2 (Tiered Discount Based on Amount Raised)

Specification

A second structure we propose is a tiered discount based on the amount raised.[26] In this model, we separate the raise into early discount tiers and decreasing discounts over tiers in order to drive demand. Again, downside protection is included in the event of an underperforming raise. It is possible to execute this model with or without an ultimate cap: on the one hand, setting a cap will prevent outsized raises that may draw risk, but large caps might draw scrutiny from the cryptoinvestor community. This model also satisfies the goal of market valuation of the supply.

Advantages

1. Early contributors are rewarded with a multiplier on their commitment.
2. Ongoing discounts through the first few tiers drive continued demand without evoking a feeling of missing out.
3. Excluding the soft cap provision a sale could have a longer duration with a similar $30M outcome.
4. This strategy would be favorable to a long tail of Kik users if the duration was notably longer than the "soft cap" scenario.

Disadvantages

1. If left uncapped investors have a difficult time arriving a starting valuation.

Suggested Parameters:

[26] In a smart contract scenario, proceeds are measured in incoming volatile cryptocurrency, such as Ether.

Token Supply	1,000,000,000 KT
Float Offered	50%
Tiered Pricing Discounts	30%; $0-10M 15%; $10-20M 0%; 20M+
Hard Cap	Optional (a cap help drive demand)
Sale Time	30 days maximum
Minimum	$10M; otherwise, contract refunds sale proceeds
Distribution	Fixed 50% sold; Token Allocation calculated at end of sale based on proceeds raised and distributed per the example below
Vesting	Time or Performance based (Outlined in "Vesting" Section)

<u>**Example $30M Raise**</u>

Appendix

Appendix A: Panel Questions and Answers

1. **Upon hearing about an established technology company issuing their own cryptotoken, what is your reaction? What questions are you most interested in asking about the effort?**

    a. **Ned Scott:** They won't be able to pull it off in a timely or safe fashion given current available technologies.

    b. **Jesse Livermore:** My first reaction is "what's the catch", and primarily wanting to know the exact details behind this and if it's worth my time and money. Basically, crypto is dominated by non-established, unknown and quite small companies and also by the community of developers who are pretty much well-known within the crypto community only. So something like this had better be done very very openly with multiple levels of knowledge and descriptions of the project which all can appreciate. So I would expect to see a very detailed, logical, rational, open white paper since I'm an advanced crypto user who's 'been there and seen that'. I would expect a very simple explanation of why the cryptotoken is even needed though and what the benefit is and why a simple user should use it for the non-advanced users (and media). I would want to know who they're teamed up with blockchain-wise (Ethereum?) or if they're building this on their own Knowing that would answer the question of security and openness. If it's a private chain without code on github I'm quite skeptical.

    c. **Demian Brener:** Great to see tech companies outside the blockchain space exploring these ideas! I'd be most interested in learning if there's a real need for a token and how it is connected to the product's underlying mechanics. Will the token only be used to raise money or will it allow users to do something which was impossible before? What about the company's underlying data? Will it remain private, or will the token spur the creation of a new protocol any other company can build on top of?

    d. **Jesse Walden:** How does the company expect mainstream mobile app users to hold cryptographic tokens/engage with the financial risk of becoming an "investor" in a token that may be traded on secondary markets? How does the company contend with grey regulation in this domain?

    e. **Kenny Rowe:** Encouraging but I would assume this is still a pilot program

        i. What does this company/team think the purpose of the blockchain is?
        ii. How does the team/company plan to control the token?

iii. Will the token be freely tradeable? Assuming yes.
iv. What is the go to market strategy? What is the marketing plan?
v. What does this token do that a database and an API could not?
vi. What need is the company/team trying to solve for their customer? Why will their customer like this?
vii. How much of a priority is this token for the company/team?
viii. How many resources have been allocated to this project?
ix. How much influence does the team/sponsor have in the company?

f. <u>Matt Liston:</u> Regulatory concerns? UX, how will their non crypto users interface/understand/be exposed(or not)

g. <u>Ron Bernstein:</u> Why is the company issuing a cryptotoken, what is its purpose, who will use it and what advantages does the crypto aspect provide? Because of the scale of the client, I would assume a greater opportunity exists to be successful but that would not decrease my appetite to understand why crypto. With more understanding (and if in agreement) then I expect my enthusiasm would increase.

h. <u>Stephan Karpischek</u>: Interesting, the potential for mass adoption is great for all in blockchain and crypto. Many more companies should issue "their" tokens. How will they do it exactly? What are the incentives to be aligned? Are they currently aligned / misaligned?

i. <u>Evan Van Ness:</u> First reaction would be: I'm skeptical that they nail the economics of it all. I'd scrutinize that. I'd want to know what motivated a token sale. How does it fit into their company's mission and vision? How did the idea germinate within the company?

j. <u>Chris Burniske:</u> My reaction is immediately one of intrigue. My first question is how does a token build upon their already successful reward program? What additional features does the decentralized token provide over the reward program? Does it cannibalize any part of their business? Will this token be traded on exchanges like Poloniex or only internal to the company?

2. **A centralized company is introducing a decentralized cryptotoken whose value depends on the company's willingness to support the token within its ecosystem long-term. What sort of assurances would you, as an investor, need to have in order to be willing to trust this setup?**

a. <u>Ned Scott:</u> Basically, if there are any assurances, this becomes a security. I'd be happy to invest in it, but would worry the platform's regulatory issues could be an issue for the them later. Also, distribution is a big deal. If they have too little, they have too little incentive. If they have too much, they are a counter party risk. Will they be using the token for funding? Have they considered setting up a non-profit to manage the DAO

aspects of the token?

b. **Jesse Livermore:** Honestly this is such a new thing for crypto I'm not even sure. I know my tokens aren't equity and are basically only items of trust which the community bestows on developers. I think if I had to nail this down best I'd want to see how big a media push the company does in getting word out that this now exists. If they proudly put this all over their site for the public to see and essentially show the world that 'this is something new and we support it openly and we will likely be terribly embarrassed if we suddenly decide to stop supporting the token then yes I would trust it more versus something that's hidden or unannounced and is quietly running in the background of this company's site. Basically, publicly put your neck on the line in support of these tokens versus trying to keep it on the low-down in case the token somehow blows up in your face and you have to stop supporting it.

c. **Demian Brener:** I assume this is an experiment the company will undertake. I'd love to see how they are thinking about this experiment, what hypothesis they want to prove and what success looks like. Also, I'd love to see a roadmap that contemplates different scenarios according to the results of this (and future) experiments.

d. **Jesse Walden:** Transparency on adoption metrics, some degree of liquidity

e. **Kenny Rowe:** I'm guessing "decentralized" means something slightly different in this context than it does in blockchain land. Tokens have value when people give them meaning. The meaning in this context comes from the company, and therefore might function like a "fiat" currency. The company will have the option to change course if they so chose, and this would likely result in the token becoming worthless. My willingness to invest would in large part be affected by my estimation of the company's commitment to the token. The token would have more value to me as an investor if the company stood to lose financially if the token failed. I want them to have skin in the game.

f. **Matt Liston:** Use security deposits! Place a written legal terms hashed in the contract with several impartial arbiters. If terms broken, deposit goes directly to token holders proportionally.

g. **Ron Bernstein:** The fact that the value of the token depends on the sponsor's willingness to support the token seems fundamentally conflicted with decentralization, even more so because the support is noted to be required long term (as opposed to short term to kick start a viral network effect for example). As an investor, I need to understand how my future value will increase. Most times, it would have to be because my interests were aligned with the majority controller. Could this be assured? And if this is assured then I question whether the offering is truly decentralized.

How is the proper balance or governance between decentralized and centralized maintained and assured into the future? Is the future value of what the token is designed

to enable something that would not require perpetual sponsor patronage to exist (will any or sufficient amount of users have incentive to support and maintain it?).

h. Stephan Karpischek: In an ideal scenario the token can survive the company's willingness to support and create/represent value on its own. Why is the value depending on the company? Interoperability is key here. It should be a standard token on a well-established platform (ERC-20).
Can we tie the token value to something which is *not* controlled by the centralized company, e.g. the content users create, can users stay in control of their content, their profile data, their social graph? Consider self-sovereignty as a concept, tie the token to this. In a decentralized system you need to give up control. Open the system to others, third parties, you mentioned dev community, great way to incentivize development of more apps.

i. Evan Van Ness: I'd want them to take their time. The successful token sales have often put their ideas out there, listened to them, possibly adapted, and then announced token sale plans with plenty of time. Beyond that, I'd have to see logical and/or economic reasons why they couldn't abandon the token.

j. Chris Burniske: Code definitely needs to be open source so that developers outside of the company can check it and build upon it.

3. **The client had a successful exploratory program issuing an internally-managed points/rewards program that, at times, showed daily transaction volumes an order of magnitude larger than daily transaction volumes on the Bitcoin network. Do you believe this to be an indicator of potential success of the prospective cryptotoken program? What do you think are most significant risk factors in the cryptotoken program as related to such an organization?**

   a. Ned Scott: Yes, this is a good sign. Tradable cryptocurrencies may amplify this effect.

   b. Jesse Livermore: It's not that hard to make bitcoin's transaction volumes look bad so I would only kind of find this to be somewhat in indicator of success. I would want to know exact details of course like exactly how many transactions per day plus how many users and I'd really want to know why a cryptotoken is needed here versus a simple database. Basically what's the value-add here for having a token vs. internal database?

   c. Demian Brener: This is great validation for the tokens' dynamics within their product. My question is what are they trying to do with a token that wasn't possible with their own centralized points/rewards. Since tokens on the blockchain will be liquid, a significant risk is speculators driving the price of the token up and down, potentially harming users' behavior within the product.

a. **Ned Scott:** It's a major piece of the future. However, general infrastructure is needed to build the tokenized web. The reasons are for safety from robust Private Key Infrastructure (PKI), simple developability, interoperability. Current platforms, such as Ethereum, suggest this future but are nowhere near being able to deliver. I look forward to some upcoming projects for handling this better.

b. **Jesse Livermore:** The future seems to be token-like structures where equity has no voting rights and is essentially a token. There are traditional organizations and industries which could definitely benefit from blockchain-usage and cryptotokens, but for now it seems very fringe and only in specific use-cases.

c. **Demian Brener:** I'm super in favor of this. We don't yet if it would work and how. It's great to see these first experiments being deployed so that everyone can learn from them.

d. **Jesse Walden:** Generally not opposed to trying, but wary of existing consumer product companies making their users 'investors' — adds significant cognitive overhead/load, and may result in undesirable/unintended community outcomes. For consumer products, I'm more bullish on crypto-tokens emerging organically along with new genres of user interaction/experiences.

e. **Kenny Rowe:** I think traditional organizations will adopted blockchain/crypto tech in a similar way to the adoption of the internet. Slowly at first, then it will become vital.

   I'm not sure there will be much investment opportunity from traditional companies. I think the tech will transform what it means to be a company, and whatever that new thing is, is where the greatest investment opportunity will be.
   As an active member of the blockchain space, I am all in favor of experimentation!

f. **Matt Liston:** I expect lots of issuance! Yes, in favor.

g. **Ron Bernstein:** As long as needs continue to be identified by traditional organizations or by those seeking opportunity in trustlessness or abstraction (unbundling) (i.e. there is a reason to open source or provide a decentralized solution as an alternative solution) and the full purpose of the crypto offering is aligned with the benefits from a crypto economy... then I do expect more activity from both traditional organizations and from investors to explore accordingly.

h. **Stephan Karpischek:** Much more companies will try and enter the space, few will succeed in giving up control enough to create a successful decentralized economic model.

i. **Evan Van Ness:** I'm generally in favor of it. I haven't spent much time thinking about it. I assume that while there will be some pioneers, most companies just can't pivot to tokens.

Maybe I've read too much Christensen, but even when incumbents see the problem, it's tough to do anything about it.

j. Chris Burniske: I'm in favor. Something that intrigues me is liquidity in reward programs. For example, if I want to trade my frequent flyer miles for hotel reward points or discounts for a hot dog at a ballgame, that would be interesting to me. Also, this liquidity would provide a pricing market for how much consumers desire/value the reward programs of individual companies.

5. **In your opinion, will cryptoeconomic models within traditional consumer products eventually replace advertising-based monetization models? Will they increase user engagement and retention? Will they create new economies? Will they miserably fail?**

   a. Ned Scott: Advertising is hugely valuable and won't go away IMO. If anything advertising revenues may eventually play into revenues for tokens and/or viewers of content.

   b. Jesse Livermore: Replace? No. Coexist, yes. What you're saying is essentially that ad revenue and ad-buyers won't keep up with this cryptotoken revenue however I think you'd find instead that in a cryptoeconomic world of fewer ads you'll have fewer buyers of those ads because the price is much higher to even justify it, however I imagine there would still be purchasers of those ads, albeit much fewer who would pay much higher prices (higher prices assuming the consumer product company only keeps ads if they economically make sense to still have them). I imagine a pretty likely scenario whereby user engagement would dramatically increase with retention and the model is self-sustaining without ads. Steemit has shown with their little niche that there are indeed content creators, developers and users who want to thrive economically and want the ecosystem to thrive with this kind of cryptotoken economic model. I would think that if a well-known company were to switch to something like this it would thrive as well. The largest impediment to success here is that you might not get your users to trust this new model if you guys don't fully trust it or if some kind of major trip-up occurs technologically or you design it poorly and misalign incentives somehow.

   c. Demian Brener: Same answers as #4. We all know the current advertising-based model is broken. I believe tokens can solve this, but we don't yet know if they will, and how.

   d. Jesse Walden: I think there are some communities where it'll work, and others where it won't. The ones where it will work may well look and notably different than today's social/consumer products.

   e. Kenny Rowe: In my opinion advertising-based monetization is morally wrong. It turns people into products, and gives less in return then it extracts in value. I do not think

bureaucratic, patriarchal, hierarchical, capitalist organizations will be able to outcompete their more limber, inclusive, egalitarian, cooperative counterparts. The millennial generation demanded to be heard, and companies got "social", the next generation will demand ownership. In this paradigm the line between company and customer gets blurred. So yes it will increase engagement and retention, but it will change what it means to be a company too. Will there be new economies? HELL YES, that's what I'm working my ass off for. Will it "work" or what will that "look like"? That's a harder question.

f. Matt Liston: Yes, yes, yes, and sometimes.

g. Ron Bernstein: Advertising based monetization models are typically based upon "content" strategies. All content models need to justify the economics between content creator and content consumer. Aside from early adopter- devoted crytpo fans, I do not believe that simply crypto-izing content increases the appeal of the content or of the distribution model. IF a new method of content creation, compensation for it, and distribution of it enables a more efficient "fair" incentive scheme between creators and consumers, then I think that system or similar evolving systems will be adopted and "tip"...

h. Stephan: Yes, please! They will add to diversity and reduce the power and influence of monopolies. Monopolies will try to push back.

i. Evan Van Ness: Definitely maybe. I'm optimistic, but until I have skin in the game, I don't take my own opinion too seriously.

j. Chris Burniske: All depends on the user experience. Most of the crypto models are "user-interface bankrupt" as one twitter user said. If you can make the experience as seamless as existing models, but also directly pay content creators/curators, then people will flock over time. Advertising is a stop-gap measure in my opinion -- it irritates the user, short changes the producer, and I think we'll marvel that we tolerated it someday.

6. **What are some key investment considerations you would like more disclosure on when comparing this opportunity to a typical token sale?**

a. Ned Scott: Is there a foundation? Is there a counter party? Is there a DAO? Is there a plan? Is there a plan for capturing value? Are there any holes at all that could threaten investors? If there is a token sale, are the funds manged by the foundation? After 4 years do the leftover funds purchase back the token from the market? Is this going to be marketed as a currency? If so, is there fungibility and privacy?

b. Jesse Livermore: Who's the team of developers helping the company bring this token onboard and are they known in the community? If they're not seen as being absolutely top-notch, or if they are 'tainted' in any way then I wouldn't trust it to not fail technically. Also, why are they using the specific blockchain technology that they're using? I would

want to see a writeup of what pros and cons were encountered in all other blockchain tech that were looked into.

What exactly am I getting from this token? Is it just something that allows me to reward content-creators? Am I getting a revenue share somehow? Is there any further issuance/inflation to the token? Is there a token-issuance or mining that is a potential price-killer like Steemit or LBRY, or is it a 'one-and-done' token sale? And also exactly how much of it is owned by this company? Is it way too much like Synereo, LBRY, Storj, etc? Are there going to be other future token sales? If so how much more and can you stipulate that it'll definitely be done at a higher price?

Lastly, what kind of governance is in place? How do I know the owners/executives aren't out to make a quick buck and then ditch it? How much are the owners/executives of this company buying and/or do the owners get issued tokens themselves? If the owners of the company themselves buy a large stake that goes a long way towards building trust in the token though.

This all goes back to my answer in the first question of 'what's the catch?'. Honestly, just make a good case that this isn't another case of a company doing a blockchain money-grab and going like "Tada! Blockchain! Why? Because, blockchain, duh! Now give us money!"

c. **Demian Brener:** Token distribution among company founders, employees and investors. Who will be in charge of this venture inside the company and what resources do they have?

d. **Jesse Walden**: How does this strategy intersect with ROI requirements for traditional VC/Public Market investors? (Obvious) Who are the users, what is the product/use case, who pays?

e. **Kenny Rowe:** I listed all my question above I think.

f. **Matt Liston**: Enforcement of token terms. Long term plan of integrating token mechanism(s). Relevant legal knowledge for users.

g. **Ron Bernstein**: Typical token sales are on the "light" side of disclosure. Minimum requirements should include full disclosure of all stakeholders in an ever transparent way. Founders especially need to be trackable and thereby accountable.

h. **Stephan Karpischek:** Token economics; Levels of decentralization (architectural, governance, logical); Roadmap, sanity of assumptions, especially regarding time to production

i. Evan Van Ness: Don't know without more info.

j. Chris Burniske: I don't know that I would invest in this as a token sale, to be frank. Don't these tokens need to be earned/issued/minted over time?

7. **What do you think will be the impact of a famous consumer technology company entering the blockchain space? Would you consider investing in this token sale, and why? If you do invest, would you adjust your risk based on return expectations of typical crowdfunding-stage projects?**

   a. Ned Scott: If they get the technology right, meaning it's safe and highly usable, then this will be a massive inflection moment for this business and for the crypto industry at large.

   b. Jesse Livermore: The media will try to lambast them, potentially make fun of them and overall instill a sense of 'ya right, that'll never work' in the public, however if this is a niche that truly could benefit from a cryptoeconomic business model then that would likely all be short-term negative reaction that doesn't hurt the project. If it's done smartly and openly I would invest most definitely. I will always economically support good ideas, no matter the size or reputation of the project. I will especially economically support good ideas which have good prospect for returns. I would adjust my risk by investing a smaller relative portion only if the idea isn't sound or if the company isn't open or I feel like the returns aren't really there or feasible. In general though I'd likely invest 'some amount' no matter what unless I felt like this was a money-grab.

   Demian Brener: The space needs big names getting on board to grow. I'd invest because (1) I trust the company that's issuing it, (2) I trust the company that's advising them, and (3) because I want this experiment to happen so the space can grow and we can all learn from it.

   Being a large tech company, I assume the potential appreciation of its token would be lower than that of bitcoin, ether, etc... which came out of thin air. On the other side, product and implementation risks are lower, demonstrated by the company's ability to execute and the popularity of its product.

   Jesse Walden: There will be a massive pump/dump. I'd invest (for the pump), hedge for the dump, and hodl ***[i.e. hold]*** according to adoption metrics.

   Kenny Rowe: I think a famous tech company entering the space will likely increase the price of many other crypto tokens, and be one more signal to society that this tech is real and worth paying attention to.

   Yes I will consider investing because it sounds pretty cool. After I learn more I will modulate my level of investment accordingly, but I will not invest any more funds than I

am willing to lose.

I expect to make bad bets. I don't think anyone knows the future or really has a very good clue about how the crypto world really works. The best I can do is to try and learn the broad direction and try to do the best I can with the information at my disposal. I generally think that crypto is still immature and hard to predict, and it's likely that most of my investments will not be around in 10 years. However, I think it's important to participate often and early to get a seat at the table.

Matt Liston: No immediate huge impact, but if successful, will prompt more similar projects which would be huge. Probably would not participate in this token sale.

Ron Bernstein: For me, it would depend on the company and the reason...has to be more than just because "it's what the cool kids are doing"...For me to invest, I would have to see an opportunity to take out more than I put in compared to my current or perceived potential alternative opportunities

Stephan Karpischek: Good impact on general adoption. Yes, I would invest. Great upside. I don't understand the last question.

Evan Van Ness: I'd be a bit more inclined to consider the impact, but I'm pretty IRR focused. The marginal impact of my value at risk is relatively small

Chris Burniske: Again, I don't think I'd invest from the get-go. I would, however, be more likely to use the reward program, which is saying something b/c i don't use any reward programs at the moment (for the liquidity reason).

8. **Just using the available information, how much capital do you think such a token sale would raise? How might that change if the tokens could also be sold to the active users?**
   a. Ned Scott: Millions, possibly tens of millions. It would increase several fold if it's highly marketed to users and the public at large. However, this risks becoming a security in the eyes of the SEC very quickly.

      I advise setting up a foundation to manage the token, and simultaneously integrating to benefit your business.

      There are many other important bases to cover to integrate strongly with the crypto space. Exchanges, liquidity, etc. need to be managed.

   b. Jesse Livermore: Depends entirely on the company. If it's a really well-known Reddit or AirBnb-type company and the offering is done openly, smartly and has a clear-cut use-case for the tokens, I imagine $100 million easily.

And I actually imagine that in general and in most cases and most businesses the active users might not be that big of purchasers of the tokens. If the active users are general public who barely know of bitcoin and barely know of cryptotokens I bet they'll likely be skeptical of using much of their own money to purchase.

If however the company's active users are quite well-informed and techno literate though I'd bet the active users purchase a ton. Again, if something like this is done smartly and openly and you provide enough information at varying levels that anyone can understand and it's a good idea with a good use-case and huge benefit that otherwise won't exist, then you'll have no problems getting a ton of capital.

c. **Demian Brener:** I have no idea. I'd try to think how much money is needed to undertake such an initiative, and raise 50% more.

d. **Jesse Walden:** Tough to tell as there'd be tons of interest. A cap seems like a good idea.

e. **Kenny Rowe:** Something like this could easily reach "theDAO" type levels of investment. Perhaps more if ETH is riding a high. If the token could be sold to normal non-crypto active users, in an easy understandable way, it could easily pass the $1B mark over time.

f. **Matt Liston:** No idea. Need to know more.

g. **Ron Bernstein:** I do not have enough information to respond.

h. **Stephan Karpischek:** Compare from previous network valuations, $10-15 per user would be a good benchmark.

i. **Evan Van Ness:** Bit impossible to say. If the token sale structure is well constructed and is communicated, eight figures is within reach.

j. **Chris Burniske:** Again, I still find it weird that you would do a token sale for this. Maybe I'm not understanding the model correctly.

9. **What is your view on younger users (ages 13 through 18) interacting with cryptotokens or cryptocurrencies within the context of consumer tech applications? What about Millennials?**

a. **Ned Scott:** Let them go for it. I wish I had been in the space since my teens. I'd have a few billion dollars by now....

b. **Jesse Livermore:** The 13-18 year-olds have basically grown up using tokens to play app games, the tokens represent a means to an end and I imagine they'd be quite

comfortable with them from the get-go. Millennials though seem to need to know the use-case of why the tokens are even needed. They're also very skeptical of companies trying things like this which might seem like a money-grab. I imagine they'll try it still although they'll be skeptics about it until realizing it's definitely something that adds a ton of value.

If you look at LBRY's AMA on Reddit you'll see that they instantly hit a nerve with some generation, likely Millennials, who saw that LBRY was a potential replacement to YouTube. They were enthused and the AMA went viral on Reddit's frontpage. Unfortunately though a couple excellent critical questions started popping up that hit on the exact weak point of the project (that is there being an ability to have your own name bought out from under you by anyone) and it immediately became an exploitation point that became quite embarrassing fast for the developers and LBRY. Overall, you have to build an ironclad use-case for these tokens which will benefit everyone who comes into contact with these tokens. No weak points at all because the crypto community and then the public in general will exploit those weaknesses and topple the funding ability and potentially the long-term usage of the token.

c. <u>Demian Brener:</u> UX for dealing with tokens within a product is something not yet solved. I believe younger users are already used to in-app purchases and trading emojis, virtual gifts, etc. I'd expect they will be the firsts to try tokens out.

d. <u>Jesse Walden:</u> Teens are a prime market for adoption of cryptotokens, especially if they can easily get liquidity for goods/services they want—teens don't have access to banking and credit cards. So long as so they can buy stuff on Amazon with tokens (e.g.via Purse.io), it's a no-brainer. The legality of all this is a bit suspect, which is why I question a larger org taking the lead in this direction.

e. <u>Kenny Rowe:</u> Younger users are more likely to just "get it". I think it's likely that gen Z will be as comfortable with tokens as the Millennials are with the internet. Millennials will probably be just fine just like the Xers and Boomers figured out email eventually.

I also think that a generational time frame will be inadequate to adapt to exponential increases in technical capability. At some point humans in general will not be able to keep up, but that's a different topic all together :)

f. <u>Matt Liston:</u> Pokemon. Pokemon GO.

g. <u>Ron Bernstein:</u> I believe both younger users and Millennial would express less resistance than older demographics to using new types of payment systems or currencies. I think this is consistent with their awareness and acceptance of new technologies for many things.

h. <u>Stephan Karpischek:</u> Natural fit. Our kids will teach us how to use future technology. I hope we stay curious enough. If the incentives are right, kids will find a way around age

limitations. How would you enforce them anyhow?

i. **Evan Van Ness:** I think the younger they are, the less tied into "how things should be." The pitch of "imagine if being a heavy user of Snapchat in 2012 made you a part owner" should be attractive. However, I imagine some overpriced lawyers won't let you say that even in a sanitized way.

j. **Chris Burniske:** If you can gamify it, and make it cool/fun, then both 13-18 year olds and millennials will love it.

Appendix B: iOS and Cryptocurrencies

The App Store App Review process[27] required by Apple for new apps and app updates presents a significant risk to iOS apps with cryptocurrency functionality. Apple has taken to a policy of whitelisting cryptocurrencies without particular regard to the quality or fundamentals of the tokens themselves. For instance, Apple whitelisted TheDAO tokens, a failed investment currency and Dogecoin tokens, originally introduced as a fringe "joke currency"[28].

As of September, 2016, Apple has whitelisted the following nine cryptocurrencies:[29]

1. Bitcoin
2. Dogecoin
3. Litecoin
4. Ethereum
5. TheDAO
6. Ripple
7. Lisk
8. Steem
9. Digicash

As proposed, Kik Tokens would represent a new cryptocurrency aimed at the iOS App Store and would subject to the approval and whitelisting by Apple. We view the process to gain pre-approval from Apple as a required step in implementation phase. Due to Kik's status as a top 100 free application, a well designed plan should be viewed favorably as compared to new analytics and trading applications (see below).

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[27] https://developer.apple.com/app-store/review/
[28] https://en.wikipedia.org/wiki/Dogecoin
[29] https://news.bitcoin.com/apple-approves-three-cryptocurrencies/

Alex Sunnarborg, the founder of lawnmower.io[30], an iOS app for cryptocurrency analytics and trading, offered the following view.

> **Alex Sunnarborg:** We definitely got a little push back and questioning a few times & especially once we started featuring a bunch of assets outside of bitcoin and ethereum (like in the below) for watching prices, reading resources, etc. (not even functional for trading).
>
> I believe they declined us pushing new updates a few times because they thought we were enabling trading for some of the coins not on their seemingly somewhat random "white list" of coins (think it was like BTC, ETH, LTC, DOGE, XRP, DAO at the time) and we had to persistently tell them the other ones were there just for market research / information.
>
> We were kind of always waiting for Apple to raise a flag on our app while it was live, and especially expected some potential delays when pushing new updates.

[30] Subsequently acquired by CoinDesk.

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